



HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT

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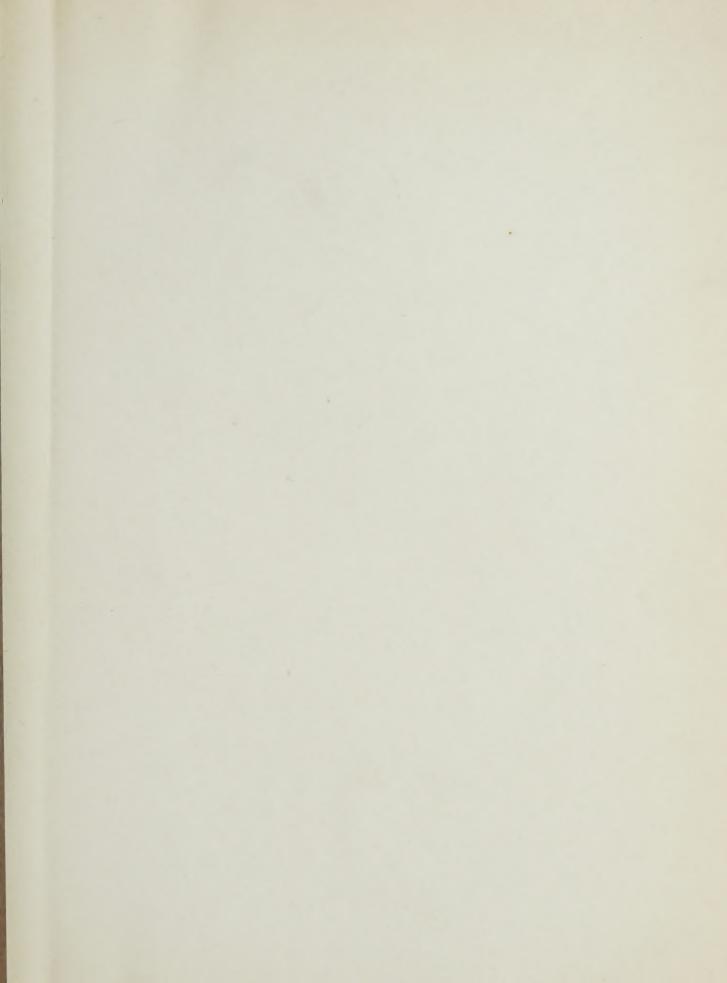
OTTAWA SYSTEM

W. D. GREGORY, CHAIRMAN M. J. HANEY LLOYD HARRIS J. ALLAN ROSS R. A. ROSS

COMMISSIONERS

JOSEPH H. W. BOWER SECRETARY





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TYDRO-ELECTRIC INQUIRY COMMISSION

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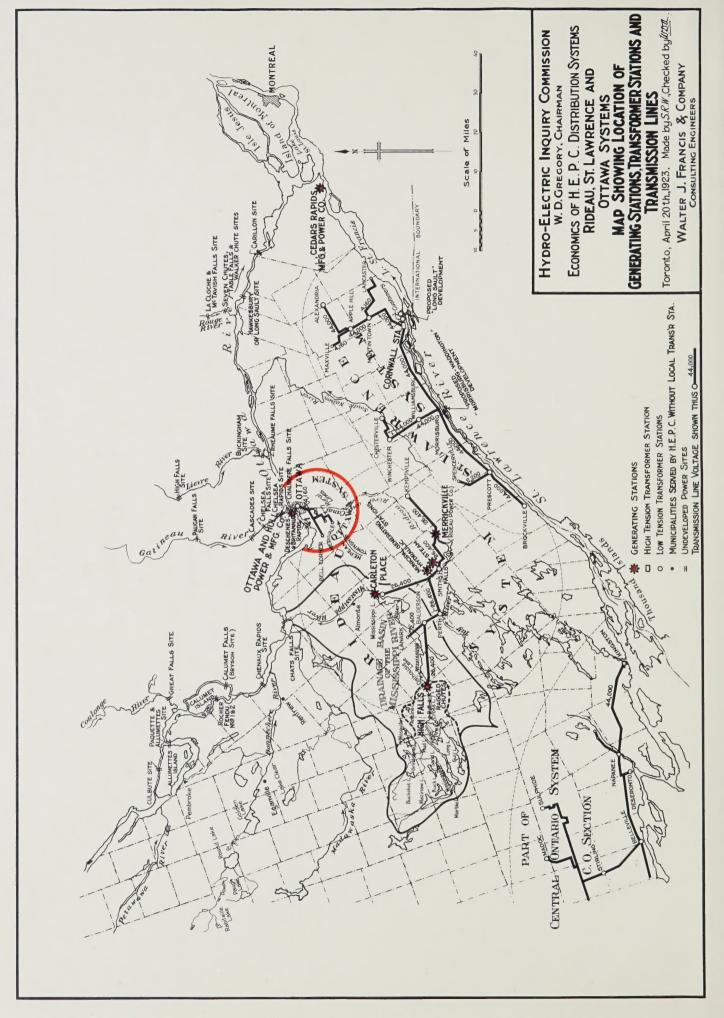
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His Ronour Honry Cookshutt,

Lieutenant-Sovernor of the Province of Ontario.

May It please Your Honours-

Amongst the undertakings of the Hydro-Electric

Power Commission of Ontario (hereinafter referred to as "the

Commission") to which inquiry and investigation was directed

in pursuance of the instructions contained in Your Houcur's

Commission to us, was that known as the Ottawa System. In

respectfully submitting the following report upon the system

we transmit therewith reports made to us by our Consulting

Engineer, Mr. Wilter Princis and our Accountants, Messrs.

Price, Waterhouse & Company.

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Location of System

to this report indicates the location of the Ottawa System and its position in relation to other systems of the Commission. The system comprises the City of Ottawa and part of the County of Carleton. Rural lines extend to Bell's Corners and Herivale to the south and west of the City and are served from the municipal distributing system of the city.

Historical Sketch

the System had its inception on July 31st, 1907, when the Commission contracted with the City of Ottawa to supply the power required for its municipal operations. On the same day, the Commission signed a contract with the Ottawa & Hull

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Power & Manufacturing Company, which owns two generating plants on the suched side of the Ottawa River at Chaudiere Falls, to purchase sufficient electric power to meet the requirements of the city. Under this contract the company agreed to sell to the Commission 1,500 electrical horse-power at the flat rate of \$15.00 per horse-power per year, and to supply additional power at the same rate up to 1,000 horse-power, making a maximum of 2,500 horse-power. The period of the contract was ten years and in it the company agreed to deliver the power to the city at the city limits at Chaudiere Bridge.

The power requirements of the city increased very rapidly and soon exceeded the maximum amount available under the contracts mentioned abov Pen on December 6th, 1910, amending agreements were entered into, increasing the maximum herse-power available to 4,000 horse-power at the same rate of \$15.00 per horse-power per year.

The load of the city continued to increase rapidly. In

1912 about 5,100 horse-power was being purchased, and by the

end of 1913 the demand again exceeded the total amount included

in the contracts, thus necessitating further provision for power.

An agreement between the Commission and the company was made on December 8th, 1915, superseding all previous agreements between the two parties and providing for the delivery of from 5,000 horse-power to 20,000 horse-power at rates ranging from \$14.00 per horse-power for the minimum requirements to \$11.00 per horse-power when the load on the system should

The Department of the Assessment - Supplement to the Assessment and the

 reach 18,000 horse-power. This agreement which was to remain
in force for a period of thirteen years provided, at the
option of the Commission, for its renewal for one or two further
terms of ten years, notice to be given to the company by the
Commission of its intention to renew the agreement at least two
years before the expiration of the term of years then in force.

There is a clause in this contract probibiting the company from supplying power to any municipality, person, firm or corporation while such municipality, person, firm or corporation is supplied by the Commission; and at the same time the Commission is restricted to purchasing power entirely from the company for use in Ottawa or within a radius of five miles of the company's payer manys.

The Order-in-Council approving this agreement is dated March 4th, 1914, and is as follows:

"Upon the recommendation of the Hydro-Electric Power Commission of Ontario, the Committee of Council advise that the accompanying contract entered into between the Ottawa & Rull Power & Hanufacturing Company and the said Commission, bearing date the eighth day of December, 1913, for the supply of from 5,000 to 18,000 horse-power of electrical power at or near the Corporation of the City of Ottawa, be approved by Your Henour".

on February 2nd, 1914, an agreement between the Commission and the city was entered into to conform to the revised agreement made during the preceding December with the Ottawa & Hull Power & Hannfacturing Company. This agreement with the city, which supersedes all previous agreements, provides for the purchase of power at rates equivalent to those paid by the Commission to the company, together with operating costs,

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interest on the capital investment made by the Commission, and payments to the reserve accounts. It is to remain in force for a period of ten years from the date of the first delivery of power under it, and may be continued, at the option of the city, for one or two further consecutive terms of ten years each.

The demand on the system continued to increase steadily, necessitating orders for additional blocks of power from time to time. The load during October, 1921, 9.098 horse-power. is an increase of about 1,500 horse-power over that in 1920. This was in excess of the amount officially ordered from the power company, and steps were at once taken to provide for further increases. In 1922, the peak demand was 11,594 horse-power, and the load early in 1973 was over 12,000 horse-power.

Consequent to applications for electricity made to the Commission, an agreement was entered into with the Township of Repean on August 25th, 1921, under provisions of the Power Commission Act, "to provide for the supply of electrical energy or power to individual users". An Order-in-Council dated September 20th, 1971, authorized this contract, and also authorized the Commission to construct twelve miles of transmission lines to serve rural districts.

This was followed by Order-in-Council under dates of November 29th, 1921, and June 25rd, 1922, granting the authority to further construct 6.61 miles and 6.50 miles of transmission lines, respectively.

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The construction of rural lines on the system was commenced in September, 1921. The first twelve miles were completed in February, 1922, and certain consumers in Nepean were then served with electrical energy. Six additional miles of rural lines were completed during October, 1922, all the rural lines serving a total of eighty-five rural consumers at that date. Since then application for electricity has been made by twenty-five other additional customers, and it is stated that the lines to supply these are now under construction.

The rural lines are being served with power from the ottawa municipal distributing system. The power supplied is being metered by the city which is reimbursed at a rate which includes Choldet of operation, transformation and line losses at an agreed flat rate of \$21.00 per horse-power, thus showing operating and transfer costs of \$8.00 per horse-power in addition to the wholesale cost of power to the city, which is now \$15.00 per horse-power. On June 29th, 1922, the Commission authorized payments to the city for all power supplied to the rural lines of the system at the above rate of \$21.00 per horse-power.

The power supply to the Commission is measured by the company's meters and checked by the Commission's meters installed in the power house of Plant No.2, and it is then transmitted to the distributing station of the city through underground cables at 11.000 velts. The Ottawa & Hull Power & Mammfacturing Company also sells large blocks of power to the Ottawa Light, Heat & Power Company, to

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the Hull Electric Company, and to a large number of important industries located in the district of the city.

The Ottawe & Hull Power & Manufacturing Company is said
to be contemplating the development of 30,000 or 40,000
horse-power in 1923 or 1924 at Bryson, Quebec, on the Ottawa
River at Calumet Island.

Undeveloped Power Dites

There are numerous undeveloped power sites in the Provinces of Ontario and Quebec within short transmission distance of the Ottawa and Rideau Systems. These sites, a list of which is given in our Consulting Engineer's report, and the most distant of which is about 75 miles from the City of Ottawa, aggregate over one million herse-power, and are all a possible source of power supply. There is also a large number of smaller powers in the district which are not included in the table.

Miscellaneous Power Plants in the District

There are several hydro-cleetric developments of magnitude in the district of the Ottawa System besides the plants of the Ottawa & Hull Power & Eanufacturing Company. Most of these are used to supply electrical energy to the various industries which operate them, but the plants of the Ottawa Light, Heat & Fower Company and of the Hull Electric Company are for public utility use.

The main competitor of the Eydro-Liectric Power Commission in the district included as the Ottawa System is the Ottawa

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Light, Heat & Power Company, which owns three hydro-electric plants on the Ottawa River and one auxiliary steam plant, and distributes power in the City of Ottawa and vicinity in competition with the Corporation of the City of Ottawa. The suburban area served by the company includes Eastview, Britannia, part of Repean Township, Gloncoster Township and Westboro. Some power is also distributed to Rull and a block of power is sold to the municipality of Gatineau Point and to the Ottawa Electric Railway Company.

The Hull Electric Company of Hull, Quebec, also generates a surplus supply of electricity in addition to the requirements of its traction utility operating between Ottawa, Hull and Aylmer, and it a Cl Color cal energy to various classes of consumers in the district of Hull and Aylmer.

The two present generating stations of the Bull Electric Company are located on the Quebec side of the Ottawa River at Deschenes Rapids.

The Eull Electric Company is said to be now seriously considering the early development of the site owned by the company at Paugan Falls on the Gatineau River about thirty miles from Ottawa for an ultimate capacity of 125,000 horse-power or more.

Transmission Lines

Up to October 15th, 1922, the Commission had constructed a total of eighteen miles of low voltage transmission lines forming a 4,160-velt network, supplying the rural districts in Mepcan.

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of its traction untility operating between Ottown Ball and

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There are no high voltage transmission lines in the system that are owned by the Commission. The City of Ottawa obtains its power supply at 11,000 velts delivered through the high voltage transmission lines of the Ottawa & Hull Power & Mammfaoturing Company to the Ottawa City limits, at Chaudiers Bridge, whence it is taken to the Ottawa substation at the same veltage by means of underground cables which form part of the city's electrical distributing system.

THE RESPONDED TO THE PARTY OF REAL PROPERTY AND ADDRESS OF THE PARTY O

Transforming & Distributing Stations

on the system. The city of Ottawa steps down its power for municipal distribution by means of its own transforming equipment, and also steps down the power for the transmission to the rural district for which it receives remuneration at the rate of about 30.00 per horse-power in addition to the price therefor billed to the sity for power supply.

Local Distributing Systems

With the exception of the rural lines already mentioned, the Commission does not distribute retail power to consumers on the system. The Commission acts as a wholesale distributer only, and in the City of Ottawa the electricity is distributed by a local Commission.

Capital Investment

As all power required for the Ottawa System is purchased from and delivered to a receiving station of the local Hydro-Electric Commission of the City of Ottawa by the Ottawa and

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Hull Power & Manufacturing Company, the Commission's investment in this system is very small.

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The following table shows the investment from 1913 to

1922, inclusives		2	aoa1	Years	end ins	Octobe	r Slat		
be glock (\$5,500)	1913 to 1915					1920	1921	1922	
Netering Raulpment Burel Lines	\$438	\$432 -	\$432	§591	\$1,009 -	\$1,009	\$1,009 4,696	\$1,009 82,053	*
	3452	\$432	\$432	\$591	\$1,009	\$1,009	\$5,707	\$38,062	
	# to	Sept	om de r	30th,	1922,	only.			

In accordance with the recommendations of the Commission and pursuant to section 4 of the Rural Hydro-Blectric Distribution Act, 1921, Section 1 of the Rural Hydro-Blectric Distribution Act, 1921, Section 1 of Land 1 and 1

Date of	Estimated Niles of	Number of Applies ats	Betimat od Primary	Cost of Lines
Order-in- Council	Lines	for newer	100%	50%
Sept.20,1921 Bov. 29,1921 June 23,1922	6.61	51 27 14	\$15,146.00 7,176.83 8,273.16	\$7,575.00 3,588.42 4,136.58
make the street	25.11	9.8	\$30,595.99	\$15,298.00

THE DEEP LAND VALLEDON

As at October 31st, 1921, the engineers of the Commission estimated that additional funds in the amount of \$90,000.00 would be required for the construction of rural lines in Repean Township during the years 1922 and 1923.

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at October 31st, 1921, the total depreciable capital was the whole of the capital investment, namely about \$6,000. While no reserve for renewals had been established at that date. At September 30th, 1922, the depreciable capital was about \$35,000, and if the proposed extensions be carried out will be about \$96,000 at October 31st, 1933.

Reserve for Sinking Fund

with interest accumulated thereon to October 31st, 1921, amounted to \$68.62, which is applicable to the investment in the metering equipment of the Commission in the Ottawa and Hull Power & Manufacturing Company's generating plant.

the first rural line expenditures were made in 1921, so that if the usual course of the Commission be followed the collection of sinking fund chargeable against these rural lines will be commenced in the years 1926 and 1927, or five years after the date of first operation.

Reserve for Contingencies

The view expressed in the following extract from the accompanying report of our Consulting Engineer is pertinent and is approved by us:

"Up to the end of 1921 no reserve for contingencies had been established.

Having in mind the contemplated extended construction of rural lines and the heavy losses which might be occasioned to them through catastrophe, it is felt that a suitable rate per horse-power consumed should

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be charged to rural customers or some other means found so that a sufficient fund might be available to be drawn on in case of emergencies. When a fund of about \$5,000 will have been built up, the rates can be readjusted to suit the conditions found after several further years of experience".

Accounts Receivable

The sum of \$19,485.21 was due by the City of Ottawa as at October Slat, 1981, for accounts receivable but was paid in full prior to December Slat, 1921.

Results of Operations

The following is an operating account for the four years ending October 31st, 1921, showing total revenue, cost of power purchased, operating expenses and fixed charges (cents Omitted):

ETC CE

Revenue	1918	1919	1920	1981 	
From the City of Ottawa	\$82,276	386,844	\$95,622	\$104,087	n ve Griphina séroannia.
Cost of operating, including portion of administrative expenses				int-m	
Power purchased from the Ottawa & Hull Power &	10.5				
Manufacturing Co., Ltd Operating Expenses Interest on capital	\$81,611 627	\$86,216 572	\$94,700 854	\$103,329 690	
invested Provision for sinking				首城 《数十二卷》	
fund Total Costs	\$82,276	\$86,844	\$95,622	\$104,087	constituting a elemphor the elemphor have
Total horse-power purchased and billed Cost per horse-power	5829	6158	6764	7654	
billed	\$14.11	\$14.10	\$14.14	\$13.59	

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From the above, it will be noted that the City of Ottawa has been sharged with the total cost of all power supplied to it excepting provision for renewals and contingencies as proviously commented upon.

The following table indicates the ennual cost figures as percentages of the total cost of power per annua:

Piscal 1918	years end 1919	ing Ooto	1921
99.20	99.27	99.05	99.28
0.76	0.66	0.89	0.66
0.03	0.06	0.05	0.05
0.01	0.01	0.01	0.01
100.00%	100.00%	100.00%	100.00%
	1918 99.20 0.76 0.03 0.01	99.20 99.27 0.76 0.66 0.03 0.06 0.01 0.01	99.20 99.27 99.05 0.76 0.66 0.89 0.03 0.06 0.05

A comparison of the look per horse-power purchased by the Commission and the cost to the City of Ottawa as billed by the Commission is as follows:

	Cost per A.P. purchased	Cost per H.P. Gity of Ottawa
1918	\$14.00	á14.11
1919	14.00	14.10
1920	14.00	14.14
1921	15.50	404 4 1 4 1 3. 59

The rural lines in Hepean Township were placed in operation in February 1922, and as the accounts for the year ending October Slat, 1922, are not yet available, they have not been included in this report.

It spears, however, that power required for these rural lines is purchased from the city of Ottawa at \$21.00 per horse-power or approximately \$6.00 per horse-power more than is paid

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for power supplied to it; this difference is represented by the estimated cost of \$4.00 for transformation, \$3.00 for a preportionate part of the use of the distribution system and \$1.00 for transmission at 10.000 volts.

In addition to the cost of power of \$21.00 per horsepower, the customers on the rural lines pay the operating and
maintenance expenses of the lines, interest on capital invested
therein, provision for renewals and sinking fund on a twentyyear basis.

Population Served and Growth of Market for Power

at the end of 1921 was approximately 146,000 of which about 110,000 were in the composition of these the customers of the local Hydro-Electric Commission numbered 11,532. The small number of users of power supplied by the Commission in relation to population is due to the competition of the Ottawa Electric Company, which sells power in the City of Ottawa and is the sole distributor in Eastwiew and in the district between Britannia and Ottawa. The Company, we understand, serves a greater number of customers than does the Ottawa Eydro-Electric Commission. The use of electricity per ordinary customer is greater in this district than in many others, and there is a continual growth in load which indicates that the demands are growing.

Table No. 1 following shows the growth of population and the number of customers of the local Commission in the City of Ottawa from 1913 to 1921, inclusive, and Table No. 2, the

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market statistics for the year ending October 31st, 1921:

<u>Table No.1</u>

Year	Total Number of Consumers	Populat ion
1913 1914 1915 1916 1917 1918 1919 1920	# 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	100.163

Table No.2

Table of Market Statistics - City of Staws

Population OP Y	110.708
Number of Consumers	11,582
Percentage of Const	3 (8) P. (2015) A. (4) C. (4) A. (4)
Horse-power billed	in 1921 7,654
Billed horse-power	per 0.66
Billed horse-power	per
ea pita	0.06

The number of consumers served by the Commission in the rural districts of the Ottawa System on October 31st, 1922, averaged 4.7 per mile of transmission line.

Relations with Ottawa Bleetrie Company

The Ottawa Hydro-Blectric Commission and the Ottawa Electric Company being rival vendors of power within the limits of the Ottawa System, it is but natural that a certain amount of rivalry between the two should develop. Complaints by the company of

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injustice to it in the operations of the Commission were voiced before us by representatives of the Company and replied to by representatives of the Commission. The main complaints may be briefly summarized as follows:

(1) Because the local Hydro-Electric Commission supplies all municipal requirements such as atreet and park lighting at high rates, a low rate can be given to householders, being a benefit to the patrons of the Hydro who are very much in the minority, and a grave injustice to all other citizens very much in the majority, who do not use Hydro service, and many of whom do not use any electric service, but who have to pay their share of the municipal lighting accounts.

In support of this complaint it was stated on behalf of the company that,

"the profit derived from street lighting enables the Hydro management in this city to discriminate in rates or in methods of charging. It would appear that electricity is being sold in some cases below cost for reasons that are odvious".

Mr. J. A. Ellis, Chairman of the local Commission, in reply to this complaint, acknowledged that the domestic rates were low, being 2 cents, I cent or one-half cent according to the power consumed. Mr. R. T. Jeffrey, one of the Engineers of the Commission, stated that Ottawa was the only municipality in the Province having a one-half cent rate at that time, and that the Commission had recommended the local Commission to discentinue this rate, but such recommendation had not been adopted.

In answer to the complaint, Mr. Blits stated that for the past year the Ottawa Commission had a gross surplus of

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\$85,755.71, of which \$36,745.43 was set aside for depreciation. leaving a net surplus of \$46,990.28. He further stated that during the years 1916 to 1921, there was a loss of \$25,000 on street lighting and made the following comments in regard to last year's operations:-

"Now on earth could we, out of a total revenue from street lighting of \$44,833.90, make all that mency If every cent of the street lighting was profit, it would not account for our surplus".

"The profit comes absolutely and entirely from domestic lighting and commercial".

One reason given by him for the retention of the one-half cent rate was that the company operated gas works and gave a discount of five per cent. on gas bills to customers whom it capplied with both gas and electricity.

Quoting from his statement:

"They charge too much for gas and they discriminate as against Hydro customers in their gas bills, in other words, a customer who will take electric current from the company gets his gas 5% cheaper than if he takes his electric current from us".

It appears to us that the rates paid to the Ottawa Commission for Street and park lighting do not affect the Ottawa Electric
Company unfairly. Br. Ellis speaking for the Ottawa Commission
before us stated that the Commission was quite willing that the
Ottawa Electric Company should have the business at the rates
paid the Commission. The rate of one-half cent per kilowatt for
domestic rates appears to be very low. It is remarkable that
the Ontario Eydro-Electric Commission has in effect indersed
the complaint of the Ottawa Electric Company by

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directing the local Commission to increase its demestic rate from one-half cent to one cent. This direction the Ottawa Commission has not complied with and considering the flourishing condition of its finances, it is difficult to see why the direction should have been given.

As has been stated in previous reports submitted by us to Your Honour, the practice and policy of the Commission where the Commission is in competition with or in opposition to other vendors of power will be dealt with by us in a General Report.

(2) The books of the Hydro-Riectric Commission of Ottawa ar ot adited properly.

The ovidence given before us showed that all vouchers are passed upon by the municipal auditor and that at least once a year an auditor from the Read Office of the Commission checks over the accounts to see that they are properly classified and that the books are kept in proper shape.

Mr. R. C. McCollum, the auditor, from the head office of the Commission, stated that the municipal auditor at Ottawa was responsible for the municipal Mydro-lectric accounts and that the Commission, through its auditors, installed a similar bookkeeping system in every Mydro municipality, in order that there might be uniformity in the keeping of accounts, particularly with respect to the classification of expenses.

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that the books are kept in proper shape.

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Re said:

"I have never felt any need to worry about the Ottawa accounts or their revenue".

In our opinion, this complaint is not well founded.

(3) The Ottawa Power Commission paid in taxes only \$1.675.21, and the total taxes of the Ottawa Bleetric Company in 1922 amounted to \$78,000.00.

Electric Company are levied on property of classes not owned by the Hydro-Electric Commission. The taxes paid by the Ottawa Electric Company on properties that may fairly be compared with the properties owned by the Ottawa Hydro-Electric Commission appear to amount to local than \$20,000 per annum. That it is hardly fair to increase the taxes of these who do not take power from the Hydro-Electric Commission in order that buyers of power from the Hydro-Electric Commission should get power at lower rates would seem to be the opinion of the members of the Hydro-Electric Commission themselves. In his evidence before us, Chairman Ellis said:

"Speaking for the (Ottawa) Commission we do not care whether we pay taxos or not".

In roply to our inquiry:

"You would not offer any opposition to a change in the law which would put you on the same footing as others in the matter of taxes?"

Mr. Bllis answered:

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In view of the attitude of the local Commission there should be little difficulty in removing all cause for complaint.

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We shall not deal further here with the question of taxation of the property of the Hydro-Electric Commission of Ottawa.

but we shall deal with the question of taxation of the property of the Hydro-Electric Power Commission of Ontario and the local Commission in our General Report.

supplied name for explana surfaced to accountly and other

(4) The local Commission uses the staff of the City Freasurer and City Auditor in connection with its work.

Auditor in his annual report to the effect that he had vouched for payments and countersigned cheques for the local Commission.

It appears to be the custom for local Hydro Commissions to have their accounts sudiced by panicipal auditors. The practice appears to us to be a proper one. The cost of the services rendered in the City Treasurer's Department is trifling.

Our findings and conclusions upon the more important features of the system may be summarized as follows:

MANAGED STREET, STREET

- system is small and including the completion of rural lines now under construction will amount on October 31st, 1923, to approximately (96,000, if the estimated cost of extensions 2nd betterments during 1922 and 1923 be not exceeded. This capital expenditure, with the exception of \$1,000 for meters, is in respect of rural lines.
- 2. The market for power is divided between the Commission and other interests. The propertion of the total population served by all at the present time is about ninety per cent. The use of

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electric power per ordinary customer is apparently much above the general average.

- by the development of local power sites. The capacity of available power sites amounts to 1,000,000 horse-power or more.
- Ottawa would provide power to supply not only the Ottawa but also the Rideau and St. Lawrence Systems. Interconnecting lines between the three systems would render this feasible without the necessity of large expenditure, as the transforming and distributing stations of the Rideau and St. Lawrence Systems are designed to operate at the same voltage. The frequency of the power generated by all the important plants in the distributies 60 cycles, similar to that used in the three systems.
- 5. A reserve for renewals should be established after carefully considering the estimated useful life of the meters and rural lines.
- for the question of sinking fund should be considered in relation to the term of years during which a fund that will be sufficient to provide for the proportionate amount of capital cost chargeable to the Township of Nepean is to be built up. The greement with the Commission specifies a term of twenty-years, whereas the Power Commission Act provides for a thirty-year term.
- 7. No reserve for contingencies has as yet been established. It is suggested that such a reserve be created by making a charge per horse-power delivered to the rural customers, such

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charge should be included in the cost of power and the yearly results noted, and when a fund shall have been built up apparently ample to provide for damage to the rural lines due to catastrophe and accidents, a permanent yearly charge for the fund may be fixed.

- 8. The operating records indicate that the system is being operated so as to supply power at cost, there being no difference between total revenues and the total costs as shown on the books of the Commission.
- that aside from the question of taxation, the Ottawa Electric Company has little, if any, ground for complaint. In the matter of taxation the local Complesion has expressed its intention of offering no opposition to the passage of a law that will place the local Commission and the Ottawa Electric Company upon an equality.
- 10. The management of the local system by the Ottawa Hydro-Electric Commission appears to us to be excellent.
- 11. Ottawa is a most favoured point for consumers of cleetric power. The sources of power nearby assure rates to the citizens of Ottawa that in all probability are lower than the rates in any other place of equal population.

DATED AT TORONTO, Seft 6 ?

W. D. Gregory, Chairman
M. J. Haney
Lloyd Harris
J. Allan Ross
R. A. Ross

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W. D. Gregory, Chairman M. J. Haley Lloyd Parris

R. A. Ross











